
2014 Session Capital Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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For further information contact: Patrick S. Frank, Matthew D. Klein, Steven D. McCulloch, and Laura M. Vykol
Phone: (410) 946-5530

Analysis of the FY 2015 Maryland Executive Budget, 2014

Summary of Issues/Updates

Reliance on General Obligation Bonds for Private Use and Activities Continues After Budget Improves: This update examines the State's use of tax-exempt general obligation (GO) bond financing for programs and projects that include some private activity use and could require the issuance of taxable bonds.

State Highway Administration Watershed Implementation Plan: The Transportation Infrastructure Investment Act of 2013 (Chapter 429) requires the Governor to include appropriations in either the operating or capital budgets for the State Highway Administration to use to comply with the Watershed Implementation Plan. This update provides an analysis of the current and projected funding sources and uses.

Military Department Capital: The Governor's budget does not include funding for new Military Department capital projects in fiscal 2015. This update provides a summary of future projects included in the 2014 *Capital Improvement Program* and outlines potential issues regarding the availability of federal funds for projects that the department wants to see funded in fiscal 2015.

Baltimore City Community College – Bard Building Demolition Proposed: Baltimore City Community College has engaged the Department of General Services to procure a contract to demolish the Bard Building located in Baltimore City. This issue outlines concerns that the Department of Legislative Services (DLS) has regarding the cost estimates and funding sources identified for the project.

Addressing the Maryland State Archives Long-term Storage Needs: For several years, the State has been examining mechanisms for addressing the Maryland State Archives (MSA) archival storage needs. A recent proposal came to light that would engage the Maryland Economic Development Corporation (MEDCO) to issue lease-backed revenue bonds to fund the acquisition and renovation of a facility to meet MSA's needs. This issue outlines concerns that DLS has concerning the proposed MEDCO financing.

Baltimore City Convention Center Expansion: The Maryland Consolidated Capital Bond Loan of 2012 provided a GO bond authorization of \$2.5 million to fund preliminary design of expansion and renovation of the Baltimore City Convention Center. The authorization included restrictive language requiring the execution of a memorandum of understanding (MOU) between the Maryland Stadium Authority, Baltimore City, and a prospective private developer prior to the use of the funds. Two years later, there is still no MOU, and the death of the prospective private developer calls into question the fate of the proposed multi-faceted project that entails not only the expansion of the convention center but also the construction of a new arena to replace the First Mariner Arena and the construction of a new hotel. **DLS recommends de-authorizing the 2012 authorization so that the funds may be recycled to projects that are ready to proceed during fiscal 2015.**

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Department of Aging Senior Center Capital Grant Program: This update provides a summary of senior center projects to be funded from available unencumbered funds from the Senior Center Capital Grant Program administered by the Department of Aging.

Summary of Recommended BOND Actions

	<u>Funds</u>
1. Capital Overview	
Adopt Committee Narrative	
2. Chesapeake Bay Restoration Plan State Highway Administration Total Maximum Daily Load	
Approve \$45 million in general obligation bond funds for Watershed Implementation Plan compliance projects.	
3. SECTION 2 Miscellaneous Grant Programs Baltimore Convention Center	\$2,500,000 DA
Total Reductions	\$2,500,000 DA

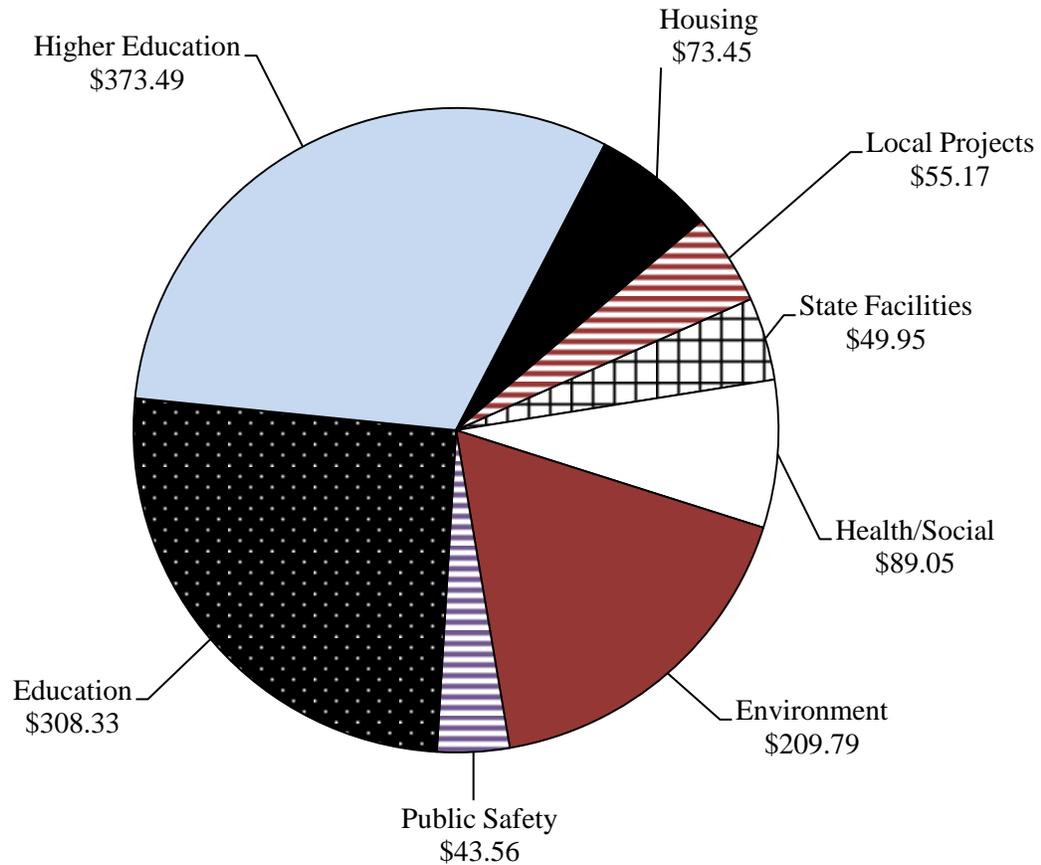
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The Fiscal 2015 Nontransportation *Capital Improvement Program* Totals Approximately \$1.538 Billion

- The program is funded by debt (\$1.202 billion, 73%) and current funds (\$336.2 million, 27%). The Capital Debt Affordability Committee (CDAC) recommended a general obligation (GO) debt limit of \$1.166 billion. CDAC also recommended a \$32.0 million limit for Academic Revenue Bonds (ARB). The Spending Affordability Committee concurred with both recommended limits.
- The capital program as introduced includes \$1.160 billion in new GO debt for State-owned facilities and grant and loan programs. An additional \$6.5 million in GO bonds from prior years will be de-authorized, thus increasing the amount of GO debt included in the capital program to \$1.166 billion (**Appendix 1**). The capital budget plan also includes the issuance of \$4.6 million of Qualified Zone Academy Bonds (QZAB) and \$32.0 million of ARBs, bringing the total amount of debt funding to \$1.203 billion. Of the \$1.203 billion of GO debt, \$67.1 million funds the replacement of prior year and proposed diversion of transfer tax revenues to the general fund; \$327.0 million represents debt pre-authorized in the Maryland Consolidated Capital Bond Loan of 2013 excluding pre-authorized funds for transfer tax revenue replacement; \$285.7 million funds school construction projects, including QZAB and Aging Schools Program funded projects; and \$15.0 million is reserved for legislative community initiatives (**Appendix 2**). **Exhibit 1** illustrates the GO bond distribution.

Exhibit 1
GO Bond, QZAB, and ARB Distribution
(\$ in Millions)



ARB: Academic Revenue Bond
GO: general obligation
QZAB: Qualified Zone Academy Bond

Source: Department of Budget and Management

Top bond funded programs/projects are shown in **Exhibit 2**. **Exhibits 3** and **4** detail what is in the capital budget as introduced.

Exhibit 2
Top General Obligation/Revenue Bond Funded Programs and Projects
Fiscal 2015

<u>Project Title</u>	<u>GO Bond</u>	<u>Revenue</u>	<u>Total Funds</u>
BPW: Public School Construction Program	\$275,000,000	0	\$275,000,000
MHEC: Community College Facilities Grant Program	65,405,000	0	65,405,000
UMES: New Engineering and Aviation Science Building	60,755,000	0	60,755,000
UMB: Health Sciences Research Facility III	49,000,000	0	49,000,000
MDOT: Chesapeake Bay Restoration Plan State Highway Administration TMDL Project	45,000,000	0	45,000,000
SU: New Academic Commons	35,000,000	0	35,000,000
DJS: Cheltenham Youth Facility – New Detention Center	31,521,000	0	31,521,000
MISC: Prince George’s Hospital System	30,000,000	0	30,000,000
DoIT: Public Safety Communication System	26,100,000	0	26,100,000
DNR: Chesapeake Bay 2010 Trust Fund	25,000,000	0	25,000,000
DHCD: Rental Housing Programs	24,050,000	0	24,050,000
BSU: New Natural Sciences Center	23,342,000	0	23,342,000
DNR: Program Open Space Local	22,763,000	0	22,763,000
MDE: Biological Nutrient Removal Program	21,200,000	0	21,200,000
DNR: Program Open Space Stateside	18,872,000	0	18,872,000
SMCM: Anne Arundel Hall Reconstruction	17,850,000	0	17,850,000
USMO: Capital Facilities Renewal	0	\$17,000,000	17,000,000
DPSCS: 560-bed Minimum Security Compound	15,314,000	0	15,314,000
DNR: Rural Legacy Program	15,231,000	0	15,231,000
MDA: Maryland Agricultural Land Preservation Program	15,188,000	0	15,188,000
BPW: Facilities Renewal Fund	15,000,000	0	15,000,000
MISC: High Performance Computing Data Center	15,000,000	0	15,000,000
DHCD: Homeownership Programs	14,000,000	0	14,000,000
DSP: Helicopter Replacement and New Flight Training Facility	12,500,000	0	12,500,000
MSDE: State Library Resource Center	12,095,000	0	12,095,000
UMCP: H.J. Patterson Hall – Wing I Renovation	1,686,000	10,000,000	11,686,000
UMCES: New Environmental Sustainability Research Laboratory	10,604,000	0	10,604,000
CSU: New Science and Technology Center	10,300,000	0	10,300,000
UMBC: Campus Traffic Safety and Circulation Improvements	10,006,000	0	10,006,000
DHCD: Strategic Demolition and Smart Growth Impact Project Fund	10,000,000	0	10,000,000
UMCP: Campuswide Building System and Infrastructure Improvements	5,000,000	5,000,000	10,000,000
Subtotal: Top Funded Programs and Projects	\$932,782,000	\$32,000,000	\$964,782,000
Subtotal: Other Funded Programs and Projects	\$237,908,000	\$0	\$237,908,000
Grand Total	\$1,170,690,000	\$32,000,000	\$1,202,690,000

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BPW: Board of Public Works
BSU: Bowie State University
CSU: Coppin State University
DHCD: Department of Housing and Community Development
DJS: Department of Juvenile Services
DNR: Department of Natural Resources
DoIT: Department of Information Technology
DPSCS: Department of Public Safety and Correctional Services
DSP: Department of State Police
GO: general obligation
MDA: Maryland Department of Agriculture
MDE: Maryland Department of the Environment
MDOT: Maryland Department of Transportation
MHEC: Maryland Higher Education Commission

MISC: Miscellaneous
MSDE: Maryland State Department of Education
MSU: Morgan State University
SMCM: St. Mary's College of Maryland
SU: Salisbury University
TMDL: Total Maximum Daily Load
UMB: University of Maryland, Baltimore
UMBC: University of Maryland Baltimore County
UMCES: University of Maryland Center for Environmental Science
UMCP: University of Maryland, College Park
UMES: University of Maryland Eastern Shore
UMMS: University of Maryland Medical System
USMO: University System of Maryland Office

Source: Department of Budget and Management

Exhibit 3
Summary of the Capital Program for Fiscal 2015
(\$ in Millions)

Function	Bonds		Current Funds (PAYGO)			Total
	General Obligation	Revenue	General	Special	Federal	
State Facilities						\$53.3
Facilities Renewal	\$16.0	\$0.0	\$0.0	\$0.0	\$0.0	
State Facilities Other	34.0	0.0	0.4	0.0	3.0	
Health/Social						89.0
Health Other	7.8	0.0	0.0	0.0	0.0	
Health State Facilities	34.0	0.0	0.0	0.0	0.0	
Private Hospitals	47.3	0.0	0.0	0.0	0.0	
Environment						485.2
Agriculture	22.2	0.0	0.0	12.3	0.0	
Energy	0.0	0.0	0.0	3.2	0.0	
Environment	85.4	0.0	1.0	197.6	41.3	
MD Env. Service	10.1	0.0	0.0	0.0	0.0	
Natural Resources	92.1	0.0	0.0	16.4	3.5	
Public Safety						43.5
State Corrections	29.9	0.0	0.0	0.0	0.0	
State Police	13.6	0.0	0.0	0.0	0.0	
Education						308.3
Education Other	19.1	0.0	0.0	0.0	0.0	
School Construction	289.2	0.0	0.0	0.0	0.0	
Higher Education						373.5
Community Colleges	65.4	0.0	0.0	0.0	0.0	
Morgan State Univ. Private	11.7	0.0	0.0	0.0	0.0	
Colleges/Universities	19.0	0.0	0.0	0.0	0.0	
St. Mary's College	17.9	0.0	0.0	0.0	0.0	
University System	227.5	32.0	0.0	0.0	0.0	

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Function	Bonds		Current Funds (PAYGO)			Total
	General Obligation	Revenue	General	Special	Federal	
Housing/Community Development						130.9
Housing	72.0	0.0	0.0	31.0	16.2	
Housing Other	1.5	0.0	10.0	0.2	0.0	
Local Projects						55.2
Local Project Administration	40.2	0.0	0.0	0.0	0.0	
Local Project Legislative	15.0	0.0	0.0	0.0	0.0	
De-authorizations						-6.1
De-authorizations	-6.1	0.0	0.0	0.0	0.0	
Total	\$1,164.6	\$32.0	\$11.4	\$260.8	\$64.0	\$1,532.8
Transportation CTP	\$0.0	\$740.0	\$0.0	\$0.0	\$0.0	\$740.0
Grand Total	\$1,164.6	\$772.0	\$11.4	\$260.8	\$64.0	\$2,272.8

CTP: Consolidated Transportation Program

PAYGO: pay-as-you-go

Note: The general obligation bond total includes \$4.6 million of Qualified Zone Academy Bonds.

Source: Department of Budget and Management

**Exhibit 4
Capital Program Request for the 2014 Session**

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
	State Facilities						
D55P04A	DVA: Eastern Shore Veterans Cemetery Burial Expansion	\$0	\$0	\$0	\$0	\$2,980,000	\$2,980,000
D55P04B	DVA: Rocky Gap Veterans Cemetery Burial Expansion	0	0	400,000	0	0	400,000
DA0201A	MDOD: Accessibility Modifications	1,600,000	0	0	0	0	1,600,000
DE02011A	BPW: Catonsville District Court	2,150,000	0	0	0	0	2,150,000
DE02011B	BPW: Courts of Appeals Building Lobby and Americans with Disabilities Act Improvements	3,700,000	0	0	0	0	3,700,000
DE0201A	BPW: Facilities Renewal Fund	15,000,000	0	0	0	0	15,000,000
DE0201B	BPW: Fuel Storage Tank Replacement Program	1,000,000	0	0	0	0	1,000,000
FB04A	DoIT: Public Safety Communication System	26,100,000	0	0	0	0	26,100,000
RP0005A	MPBC: Broadcasting Transmission Equipment Replacement	400,000	0	0	0	0	400,000
	Subject Category Subtotal	\$49,950,000	\$0	\$400,000	\$0	\$2,980,000	\$53,330,000
	Health/Social						
MA01A	DHMH: Community Health Facilities Grant Program	\$5,483,000	\$0	\$0	\$0	\$0	\$5,483,000
MA01B	DHMH: Federally Qualified Health Centers Grant Program	2,276,000	0	0	0	0	2,276,000
RQ00A	UMMS: R Adams Cowley Shock Trauma Center – Phase II	5,000,000	0	0	0	0	5,000,000
RQ00B	UMMS: New Ambulatory Care Pavilion and ICU and Labor and Delivery Units	5,000,000	0	0	0	0	5,000,000
VE01A	DJS: Cheltenham Youth Facility – New Detention Center	31,521,000	0	0	0	0	31,521,000
VE01B	DJS: New Female Detention Center	2,430,000	0	0	0	0	2,430,000

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Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
ZA00AD	MISC: Prince George's Hospital System	30,000,000	0	0	0	0	30,000,000
ZA00AF	MISC: Sinai Hospital of Baltimore and Levendale Hebrew Geriatric Center and Hospital	1,500,000	0	0	0	0	1,500,000
ZA00P	MISC: Kennedy Krieger Institute	1,500,000	0	0	0	0	1,500,000
ZA01A	MISC: Anne Arundel Medical Center	500,000	0	0	0	0	500,000
ZA01B	MISC: Holy Cross Hospital	500,000	0	0	0	0	500,000
ZA01E	MISC: Meritus Medical Center	500,000	0	0	0	0	500,000
ZA01F	MISC: Shady Grove Adventist Hospital	500,000	0	0	0	0	500,000
ZA01G	MISC: Adventist Rehabilitation Hospital of Maryland	200,000	0	0	0	0	200,000
ZA01H	MISC: Doctors Hospital	88,000	0	0	0	0	88,000
ZA01I	MISC: MedStar Montgomery Medical Center	300,000	0	0	0	0	300,000
ZA01J	MISC: Sinai Hospital of Baltimore	1,000,000	0	0	0	0	1,000,000
ZA01K	MISC: University of Maryland St. Joseph Medical Center	750,000	0	0	0	0	750,000
	Subject Category Subtotal	\$89,048,000	\$0	\$0	\$0	\$0	\$89,048,000
	Environment						
DA131302	MEA: Jane E. Lawton Loan Program	\$0	\$0	\$0	\$2,000,000	\$0	\$2,000,000
DA131303	MEA: State Agency Loan Program	0	0	0	1,200,000	0	1,200,000
JB0101A	MDOT: State Highway Administration TMDL Project	45,000,000	0	0	0	0	45,000,000
KA0510A	DNR: Critical Maintenance Program	0	0	0	4,588,000	0	4,588,000
KA05A	DNR: Community Parks and Playgrounds	2,500,000	0	0	0	0	2,500,000
KA05B	DNR: Natural Resources Development Fund	108,000	0	0	4,535,821	0	4,643,821
KA05C1	DNR: Program Open Space Stateside	18,872,000	0	0	1,500,000	2,500,000	22,872,000
KA05C2	DNR: Program Open Space Local	22,763,000	0	0	0	0	22,763,000
KA05D	DNR: Rural Legacy Program	15,231,000	0	0	803,000	0	16,034,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
KA0906	DNR: Ocean City Beach Maintenance	0	0	0	1,000,000	0	1,000,000
KA1102A	DNR: Waterway Improvement Program	0	0	0	4,000,000	1,000,000	5,000,000
KA1402A	DNR: Chesapeake Bay 2010 Trust Fund	25,000,000	0	0	0	0	25,000,000
KA1701A	DNR: Oyster Restoration Program	7,600,000	0	0	0	0	7,600,000
LA11A	MDA: Maryland Agricultural Land Preservation Program	15,188,000	0	0	9,596,966	0	24,784,966
LA1213	MDA: Tobacco Transition Program	0	0	0	2,716,000	0	2,716,000
LA15A	MDA: Maryland Agricultural Cost-Share Program	7,000,000	0	0	0	0	7,000,000
UA0104	MDE: Hazardous Substance Cleanup Program	0	0	1,000,000	0	0	1,000,000
UA0111	MDE: Enhanced Nutrient Removal Program	0	0	0	81,000,000	0	81,000,000
UA0112	MDE: Septic System Upgrade Program	0	0	0	15,000,000	0	15,000,000
UA01A	MDE: Maryland Water Quality Revolving Loan Program	6,459,000	0	0	91,250,000	32,291,000	130,000,000
UA01B	MDE: Maryland Drinking Water Revolving Loan Program	2,614,000	0	0	10,370,000	9,016,000	22,000,000
UA01C1	MDE: Biological Nutrient Removal Program	21,200,000	0	0	0	0	21,200,000
UA01C2	MDE: Supplemental Assistance Program	5,314,000	0	0	0	0	5,314,000
UA01D	MDE: Water Supply Financial Assistance Program	4,357,000	0	0	0	0	4,357,000
UA01E	MDE: Mining Remediation Program	500,000	0	0	0	0	500,000
UB00A1	MES: Rocky Gap State Park – Wastewater Treatment Plant Improvements	712,000	0	0	0	0	712,000
UB00A2	MES: Charlotte Hall Veterans Home – Wastewater Collection System	2,190,000	0	0	0	0	2,190,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
UB00A3	MES: Southern Maryland Pre-Release Unit – New Water Treatment Plant	1,500,000	0	0	0	0	1,500,000
UB00A4	MES: Freedom District – Wastewater Treatment Plant Improvements	2,155,000	0	0	0	0	2,155,000
UB00A5	MES: Cunningham Falls State Park – Wastewater Collection System	575,000	0	0	0	0	575,000
UB00A6	MES: MCI Hagerstown – Wastewater Treatment Plant Improvements	2,000,000	0	0	0	0	2,000,000
UB00A7	MES: Cheltenham Youth Center Wastewater Treatment Plan	600,000	0	0	0	0	600,000
UB00A8	MES: Camp Fretterd – Wastewater Treatment Plant Upgrades	197,000	0	0	0	0	197,000
UB00A9	MES: Western Correctional Institution – Wastewater Pump Station Improvements	150,000	0	0	0	0	150,000
	Subject Category Subtotal	\$209,785,000	\$0	\$1,000,000	\$229,559,787	\$44,807,000	\$485,151,787
	Public Safety						
QP00A	DPSCS: New Youth Detention Center	\$9,506,000	\$0	\$0	\$0	\$0	\$9,506,000
QR0202A	DPSCS: Housing Unit Windows and Heating Systems Replacement	5,085,000	0	0	0	0	5,085,000
QS0209	DPSCS: 560-bed Minimum Security Compound	15,314,000	0	0	0	0	15,314,000
WA01A	DSP: Helicopter Replacement and New Flight Training Facility	12,500,000	0	0	0	0	12,500,000
WA01B	DSP: Tactical Services Garage	1,053,000	0	0	0	0	1,053,000
	Subject Category Subtotal	\$43,458,000	\$0	\$0	\$0	\$0	\$43,458,000
	Education						
DE0202A	BPW: Public School Construction Program	\$275,000,000	\$0	\$0	\$0	\$0	\$275,000,000
DE0202B	BPW: Aging Schools Program	6,109,000	0	0	0	0	6,109,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
DE0202C	BPW: Nonpublic Aging Schools Program	3,500,000	0	0	0	0	3,500,000
DE0202QZ	BPW: Qualified Zone Academy Bond Program	4,625,000	0	0	0	0	4,625,000
RA01A	MSDE: Public Library Capital Grant Program	5,000,000	0	0	0	0	5,000,000
RA01B	MSDE: State Library Resource Center	12,095,000	0	0	0	0	12,095,000
RE01A	MSD: New Fire Alarm and Emergency Notification System – Frederick Campus	1,705,000	0	0	0	0	1,705,000
RE01B	MSD: Water Main Replacement Project – Frederick Campus	300,000	0	0	0	0	300,000
	Subject Category Subtotal:	\$308,334,000	\$0	\$0	\$0	\$0	\$308,334,000
	Higher Education						
RB21A	UMB: Health Sciences Research Facility III	\$49,000,000	\$0	\$0	\$0	\$0	\$49,000,000
RB22A	UMCP: Campuswide Building System and Infrastructure Improvements	5,000,000	5,000,000	0	0	0	10,000,000
RB22B	UMCP: Chemistry Facilities Expansion, Replacement, and Renovations	1,560,000	0	0	0	0	1,560,000
RB22C	UMCP: Edward St. John Learning and Teaching Center	6,700,000	0	0	0	0	6,700,000
RB22D	UMCP: H.J. Patterson Hall – Wing I Renovation	1,686,000	10,000,000	0	0	0	11,686,000
RB23A	BSU: New Natural Sciences Center	23,342,000	0	0	0	0	23,342,000
RB24A	TU: Softball Facility	1,500,000	0	0	0	0	1,500,000
RB25A	UMES: New Engineering and Aviation Science Building	60,755,000	0	0	0	0	60,755,000
RB27A	CSU: New Science and Technology Center	10,300,000	0	0	0	0	10,300,000
RB28A	UB: Langsdale Library	7,775,000	0	0	0	0	7,775,000
RB29A	SU: New Academic Commons	35,000,000	0	0	0	0	35,000,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
RB31A	UMBC: Campus Traffic Safety and Circulation Improvements	10,006,000	0	0	0	0	10,006,000
RB34A	UMCES: New Environmental Sustainability Research Laboratory	10,604,000	0	0	0	0	10,604,000
RB36A	USMO: Shady Grove Educational Center – Biomedical Sciences and Engineering Education Building	4,300,000	0	0	0	0	4,300,000
RB36RB	USMO: Capital Facilities Renewal	0	17,000,000	0	0	0	17,000,000
RD00A	SMCM: Anne Arundel Hall Reconstruction	17,850,000	0	0	0	0	17,850,000
RI00A*	MHEC: Community College Facilities Grant Program	65,405,000	0	0	0	0	65,405,000
RM00A	MSU: New School of Business Complex and Connecting Bridge	3,000,000	0	0	0	0	3,000,000
RM00B	MSU: Soper Library Demolition	1,640,000	0	0	0	0	1,640,000
RM00C	MSU: Campuswide Utilities Upgrade	6,070,000	0	0	0	0	6,070,000
RM00D	MSU: Athletic Facilities Renovation	1,000,000	0	0	0	0	1,000,000
ZA00K	MISC: High Performance Computing Data Center	15,000,000	0	0	0	0	15,000,000
ZA00R	MICUA: Loyola University of Maryland Capital Projects	800,000	0	0	0	0	800,000
ZA00S	MICUA: Stevenson University Academic Building	1,600,000	0	0	0	0	1,600,000
ZA00T	MICUA: Washington College Academic Building	1,600,000	0	0	0	0	1,600,000
	Subject Category Subtotal	\$341,493,000	\$32,000,000	\$0	\$0	\$0	\$373,493,000
	Housing/Community Development						
DW0108A	MDOP: Jefferson Patterson Park and Museum	350,000	0	0	0	0	350,000
DW0110A	MDOP: African American Heritage Preservation Grant Program	1,000,000	0	0	0	0	1,000,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
DW0110B	MDOP: Maryland Historical Trust Capital Loan Fund	150,000	0	0	200,000	0	350,000
DW0112	MDOP: Sustainable Communities Tax Credit	0	0	10,000,000	0	0	10,000,000
SA2402A	DHCD: Community Development Block Grant Program	0	0	0	0	10,000,000	10,000,000
SA24A	DHCD: Community Legacy Program	6,000,000	0	0	0	0	6,000,000
SA24B	DHCD: Neighborhood Business Development Program	3,300,000	0	0	1,950,000	0	5,250,000
SA24C	DHCD: Strategic Demolition and Smart Growth Impact Project Fund	10,000,000	0	0	0	0	10,000,000
SA24D	DHCD: Baltimore Regional Neighborhoods Demonstration Initiative	1,000,000	0	0	0	0	1,000,000
SA2514	DHCD: Maryland BRAC Preservation Loan Fund	0	0	0	3,000,000	0	3,000,000
SA25A	DHCD: Partnership Rental Housing Program	6,000,000	0	0	0	0	6,000,000
SA25B	DHCD: Homeownership Programs	14,000,000	0	0	1,000,000	0	15,000,000
SA25C	DHCD: Shelter and Transitional Housing Facilities Grant Program	1,500,000	0	0	0	0	1,500,000
SA25D	DHCD: Special Loan Programs	6,100,000	0	0	800,000	3,000,000	9,900,000
SA25E	DHCD: Rental Housing Programs	24,050,000	0	0	24,275,000	3,225,000	51,550,000
	Subject Category Subtotal	\$73,450,000	\$0	\$10,000,000	\$31,225,000	\$16,225,000	\$130,900,000
	Local Projects						
ZA00A	MISC: Alice Ferguson Foundation – Potomac Watershed Study Center	\$2,400,000	\$0	\$0	\$0	\$0	\$2,400,000
ZA00AA	MISC: National Cyber Security Center of Excellence	2,000,000	0	0	0	0	2,000,000
ZA00AB	MISC: National Sailing Hall of Fame	250,000	0	0	0	0	250,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
ZA00AC	MISC: The Patricia and Arthur Modell Performing Arts Center at the Lyric	500,000	0	0	0	0	500,000
ZA00AE	MISC: Sailwinds Park Wharf Replacement	1,000,000	0	0	0	0	1,000,000
ZA00AG	MISC: South River High School Athletic Facilities	700,000	0	0	0	0	700,000
ZA00AH	MISC: Sports Legends Museum Renovations	500,000	0	0	0	0	500,000
ZA00AI	MISC: Sultana New Education Center	500,000	0	0	0	0	500,000
ZA00AJ	MISC: USS Constellation	1,250,000	0	0	0	0	1,250,000
ZA00AK	MISC: Wye River Upper School	1,000,000	0	0	0	0	1,000,000
ZA00AL	MISC: YWCA of Annapolis and Anne Arundel County Domestic Violence Shelter	1,000,000	0	0	0	0	1,000,000
ZA00B	MISC: Allegany Museum	250,000	0	0	0	0	250,000
ZA00C	MISC: Annapolis High School Athletic Facilities	700,000	0	0	0	0	700,000
ZA00D	MISC: Baltimore Food Hub	750,000	0	0	0	0	750,000
ZA00E	MISC: Center Stage	1,000,000	0	0	0	0	1,000,000
ZA00F	MISC: Central Baltimore Partnership	1,500,000	0	0	0	0	1,500,000
ZA00G	MISC: Creative Alliance	600,000	0	0	0	0	600,000
ZA00H	MISC: East Baltimore Biotechnology Park	5,000,000	0	0	0	0	5,000,000
ZA00I	MISC: Eastern Shore Food Hub	500,000	0	0	0	0	500,000
ZA00J	MISC: Green Branch Athletic Complex	3,000,000	0	0	0	0	3,000,000
ZA00L	MISC: Hillel Center for Social Justice	1,000,000	0	0	0	0	1,000,000
ZA00M	MISC: Hospice of the Chesapeake	500,000	0	0	0	0	500,000
ZA00N	MISC: Inner Harbor Infrastructure	2,000,000	0	0	0	0	2,000,000
ZA00O	MISC: Jewish Community Center of Greater Washington	1,000,000	0	0	0	0	1,000,000
ZA00Q	MISC: Maryland Hall for the Creative Arts	500,000	0	0	0	0	500,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
ZA00U	MISC: Maryland Science Center	417,000	0	0	0	0	417,000
ZA00V	MISC: Maryland Zoo in Baltimore	5,000,000	0	0	0	0	5,000,000
ZA00W	MISC: Mount Auburn Cemetery	1,000,000	0	0	0	0	1,000,000
ZA00X	MISC: Mount Vernon Place	1,000,000	0	0	0	0	1,000,000
	Restoration						
ZA00Y	MISC: National Aquarium in Baltimore	1,500,000	0	0	0	0	1,500,000
ZA00Z	MISC: National Cryptological Museum	1,000,000	0	0	0	0	1,000,000
ZA01C	MISC: MedStar Good Samaritan Hospital	375,000	0	0	0	0	375,000
ZA01D	MISC: Washington Adventist Hospital	480,000	0	0	0	0	480,000
ZA02	Local House Initiatives	7,500,000	0	0	0	0	7,500,000
ZA03	Local Senate Initiatives	7,500,000	0	0	0	0	7,500,000
	Subject Category Subtotal	\$55,172,000	\$0	\$0	\$0	\$0	\$55,172,000
	De- authorizations						
ZF00	De- authorizations as Introduced	-\$6,065,377	\$0	\$0	\$0	\$0	-\$6,065,377
	Subject Category Subtotal:	-\$6,065,377	\$0	\$0	\$0	\$0	-\$6,065,377
	Total Excluding Transportation	\$1,164,624,623	\$32,000,000	\$11,400,000	\$260,784,787	\$64,012,000	\$1,532,821,410
	Transportation CTP	\$0	\$740,000,000	\$832,214,000	\$832,214,000	\$849,234,000	\$3,253,662,000
	Grand Total	\$1,164,624,623	\$772,000,000	\$843,614,000	\$1,092,998,787	\$913,246,000	\$4,786,483,410

BPW: Board of Public Works
 BRAC: Base realignment and closure
 BSU: Bowie State University
 CSU: Coppin State University
 CTP: Consolidated Transportation Program
 DHCD: Department of Housing and Community Development
 DHMH: Department of Health and Mental Hygiene
 DJS: Department of Juvenile Services
 DNR: Department of Natural Resources
 DPSCS: Department of Public Safety and Correctional Services
 DoIT: Department of Information Technology
 DSP: Department of State Police

MISC: Miscellaneous
 MPBC: Maryland Public Broadcasting Commission
 MSD: Maryland School for the Deaf
 MSDE: Maryland State Department of Education
 MHEC: Maryland Higher Education Commission
 MICUA: Maryland Independent College and University Association
 MISC: miscellaneous
 MSU: Morgan State University
 NICU: neonatal intensive care unit
 PAYGO: pay as you go
 SMCM: St. Mary's College of Maryland
 SU: Salisbury University

DVA: Department of Veteran Affairs
MCI: Maryland Correctional Institution
MD: Military Department
MDA: Maryland Department of Agriculture
MDE: Maryland Department of the Environment
MDOD: Maryland Department of Disabilities
MDOP: Maryland Department of Planning
MDOT: Maryland Department of Transportation
MEA: Maryland Energy Administration
MES: Maryland Environmental Service

TMDL: total maximum daily load
TU: Towson University
UB: University of Baltimore
UMB: University of Maryland, Baltimore
UMBC: University of Maryland Baltimore County
UMCES: University of Maryland Center for Environmental Science
UMCP: University of Maryland, College Park
UMES: University of Maryland Eastern Shore
UMMS: University of Maryland Medical System
USMO: University System of Maryland Office

Source: Department of Budget and Management

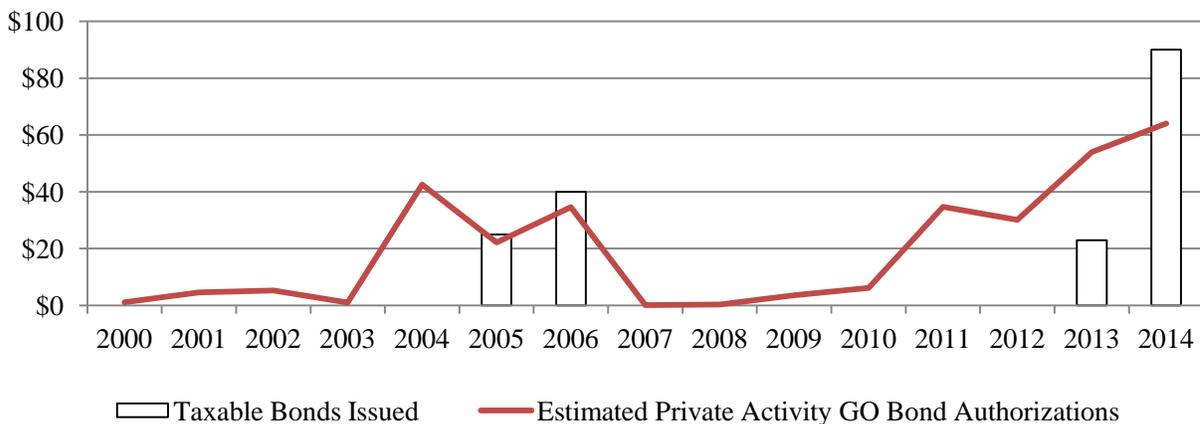
Overview Issues/Updates

1. Reliance on General Obligation Bonds for Private Use and Activities Continues After Budget Improves

Federal laws and regulations limit the kinds of activities the proceeds from tax-exempt bonds can support. One such requirement limits private activities or private purposes of the bond proceeds to 5% of the bond sales proceeds. Another requirement limits the bonds to \$15 million for business use projects and \$5 million for business loans. Examples of programs that support private activities or uses in fiscal 2015 include the Partnership Rental Housing and Neighborhood Business Development programs of the Department of Housing and Community Development (DHCD), the Hazardous Substance Cleanup Program of the Maryland Department of the Environment, and the Public Safety Communications Program of the Department of Information Technology (DoIT).

To avoid exceeding the private activity limits imposed in the federal regulations, the State has previously appropriated general funds in the operating budget instead of issuing debt for private purpose programs and projects. Recent years' fiscal constraints have limited the amount of operating funds available for capital projects. To continue these programs, the State authorized GO bonds. **Exhibit 5** shows that the State has authorized at least \$30 million in private activity bonds annually since fiscal 2011 and issued taxable debt in fiscal 2013 and 2014. The March 5, 2014 bond sale included another \$50 million in taxable bond issuances.

Exhibit 5
Private Activity Authorizations and Taxable Bond Issuances
Fiscal 2000-2014
(\$ in Millions)



GO: general obligation

Source: Department of Budget and Management's *Capital Improvement Program*; Financial Advisor's *Report on Bond Sales*

Reliance on GO Bonds for Private Use and Activities Continues

It is not unusual for the State to move pay-as-you-go (PAYGO) capital projects and programs into the GO bond program when State finances deteriorate. Usually, the projects and programs are moved back out of the GO bond program after finances have improved. For example, Exhibit 5 shows this pattern after the rise in private use authorizations from fiscal 2004 to 2006. In fiscal 2007, there is a decline in private activity authorizations.

This is not the case in the current *Capital Improvement Program* (CIP) which, despite improved fiscal condition, has private activity authorizations increasing to \$80 million. This is the highest level in years. **Exhibit 6** shows that out-year private activity authorizations range from \$43 million in fiscal 2016 to \$31 million in fiscal 2019. Though there is a decline in authorizations, there still is a substantial reliance on GO bond funds to support projects and programs that are traditionally supported in the PAYGO capital funding.

Exhibit 6
Private Activity Authorizations by Department
Fiscal 2015-2019
(\$ in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Private Business Use					
Department of Information Technology	\$3,915	\$4,493	\$5,145	\$4,275	\$0
State Department of Education	121	259	247	242	0
Morgan State University	30	0	0	0	0
University System of Maryland	1,089	588	0	0	0
Johns Hopkins University	750	0	0	0	0
Total Estimated Private Funds	\$6,254	\$5,938	\$4,522	\$5,400	\$0
Private Loans					
Department of Housing and Community Development	\$65,050	\$30,400	\$26,700	\$25,800	\$24,900
Department of the Environment	9,073	6,500	6,500	6,500	6,500
Department of Planning	150	150	150	150	150
Total Estimated Private Funds	\$74,273	\$37,050	\$33,350	\$32,450	\$31,550
Grand Total	\$80,527	\$42,988	\$37,872	\$37,850	\$31,550

Source: Department of Budget and Management, *Capital Improvement Program*, January 2014

Taxable Bonds Cost More Than Tax-exempt Bonds

At the August 2013 bond sale, the State sold \$40.0 million in taxable GO bonds to institutional investors. The issuance included \$27.8 million in three-year bonds and \$12.2 million in four-year bonds. The State also issued \$435.0 million of tax-exempt bonds on the same day. The true interest cost (TIC) of the taxable bonds was noticeably higher than the tax-exempt bonds; 1.48% for four-year, taxable debt compared to 1.04% for four-year, tax-exempt debt. The net effect on spending over the four years is that the tax-exempt bonds cost approximately \$478,000 less than taxable bonds. The net present value of the savings, which is approximately \$575,000, is even more than the cash savings.

In the out-years, the additional costs for issuing taxable debt are likely to increase. The current low interest rate environment is probably suppressing the additional costs paid by issuers of taxable debt. For example, the State issued taxable debt in fiscal 2005 and 2006. At the time, interest rates were higher, and the Department of Legislative Services (DLS) estimates that taxable bonds added \$2.8 million in debt service costs for the \$65.0 million issued. This is roughly three times the cost differential as the July 2013 bond sale.

As previously mentioned, federal regulations allow for some private activity in tax-exempt bonds. This allows some flexibility if there are minor changes in the use of infrastructure built or if there are some projects or programs that have a limited private activity component. Most of the agencies that have some private activity in their projects have exposure that can be managed within the federal guidelines.

The concern is that there are large private activity authorizations in DHCD. These large authorizations are likely to result in taxable bonds in the out-years. Funding these programs in the operating budget reduces the amount of private activity authorizations to \$2 million or less in the out-years. This is consistent with a normal level of private activity authorizations. In the out-years, moving these programs into cash reduces debt service costs. **To reduce debt service costs, DLS recommends that the Department of Budget and Management (DBM) reduce the level of private activity authorizations for fiscal 2016.**

2. State Highway Administration Watershed Implementation Plan

As part of the State's Watershed Improvement Plan (WIP) efforts to meet the total maximum daily load limitations imposed by the U.S. Environmental Protection Agency on the amount of nitrogen, phosphorus, and sediment entering waters that drain to the Chesapeake Bay, the State Highway Administration (SHA) is implementing strategies to reduce the effect of runoff from impervious portions of the State's highway system. These strategies include structural and nonstructural best management practices, environmentally sensitive designs, stream and wetland restoration, and afforestation. The total cost of the SHA WIP program is estimated in the 2014 to 2019 *Consolidated Transportation Program* to be \$582.5 million including \$72.1 million expended prior to fiscal 2015. **Exhibit 7** shows the sources and uses of the programmed funding.

Exhibit 7
SHA Watershed Implementation Plan
Fiscal 2015-2019
(\$ in Thousands)

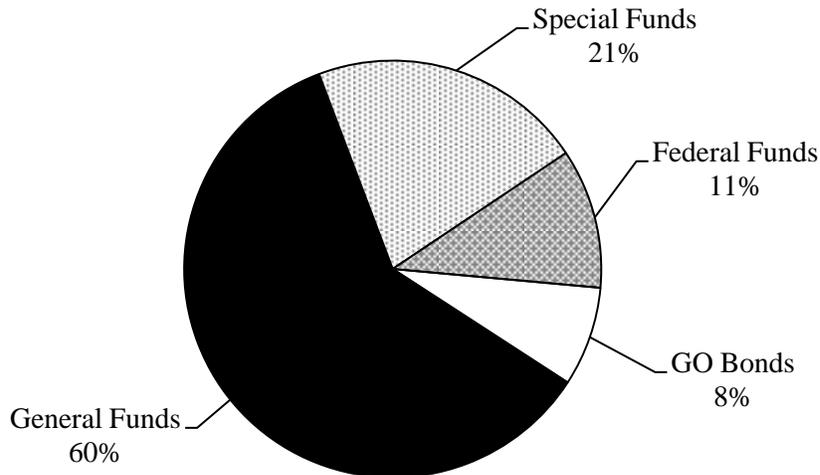
	<u>Prior Auth.</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
Source							
General Funds	\$0	\$0	\$65,000	\$85,000	\$100,000	\$100,000	\$350,000
Special Funds	25,306	25,200	21,800	20,800	23,000	8,300	124,406
Federal Funds	46,794	10,000	5,000	1,000	300	0	63,094
GO Bonds	0	45,000	0	0	0	0	45,000
Total	\$72,100	\$80,200	\$91,800	\$106,800	\$123,300	\$108,300	\$582,500
Use							
Engineering	\$15,200	\$7,200	\$6,500	\$4,500	\$4,500	\$4,500	\$42,400
Construction	56,900	73,000	85,300	102,300	118,800	103,800	540,100
Total	\$72,100	\$80,200	\$91,800	\$106,800	\$123,300	\$108,300	\$582,500

GO: general obligation
SHA: State Highway Administration

Source: Maryland Department of Transportation; 2014-2019 *Consolidated Transportation Program*; 2014 *Capital Improvement Program*

As shown in **Exhibit 8**, general funds comprise the largest share of the projected fund sources accounting for 60% of the planned funding followed by special funds (21%), federal funds (11%), and GO bonds (8%).

Exhibit 8
SHA Watershed Implementation Plan
Total Program Funding Sources



GO: general obligation
SHA: State Highway Administration

Source: Maryland Department of Transportation; 2014-2019 *Consolidated Transportation Program*

The GO bond funding included in fiscal 2015 and the general funds programmed for fiscal 2016 through 2019 satisfy the requirement under the Transportation Infrastructure Investment Act of 2013 (Chapter 429) that the Governor includes appropriations in either the operating or capital budgets totaling \$395 million for SHA to use to comply with the WIP. Although the CIP programs the use of general funds, the original intent was to utilize GO bonds.

3. Military Department Capital

Though the Military Department does not have any projects receiving funds in the fiscal 2015 allowance, the fiscal 2015 to 2019 CIP includes funding for the expansion of the Maryland Emergency Management Agency (MEMA) Headquarters at Camp Fretterd and the renovation of the Havre de Grace Readiness Center. In addition to projects in the CIP, the Maryland Capital Consolidated Bond Loan (MCCBL) of 2014 also de-authorizes \$250,000 in GO bonds for the Salisbury Armory renovation and addition. **Exhibit 9** outlines the funding programmed in the 2014 CIP for the Military Department.

Exhibit 9
Military Department Capital Improvement Program
Fiscal 2015-2019
(\$ in Millions)

<u>Projects</u>	<u>Prior Auth.</u>	<u>2015 Request</u>	<u>2016 Est.</u>	<u>2017 Est.</u>	<u>2018 Est.</u>	<u>2019 Est.</u>	<u>Project Total</u>
MEMA Headquarters Expansion	-	-	-	-	\$0.950	\$12.300	\$13.250
Havre de Grace Readiness Center	-	-	0.900	16.500	-	-	17.400
Total	\$0.000	\$0.000	\$0.900	\$16.500	\$0.950	\$12.300	\$30.650

<u>Fund Source</u>	<u>Prior Auth.</u>	<u>2015 Request</u>	<u>2016 Est.</u>	<u>2017 Est.</u>	<u>2018 Est.</u>	<u>2019 Est.</u>	<u>Project Total</u>
GO Bonds	-	-	\$0.225	\$4.125	\$0.950	\$12.300	\$17.600
PAYGO FF	-	-	0.675	12.375	-	-	13.050
Total	\$0.000	\$0.000	\$0.900	\$16.500	\$0.950	\$12.300	\$30.650

FF: federal funds
 GO: general obligation
 MEMA: Maryland Emergency Management Agency
 PAYGO: pay-as-you-go

Source: Governor's Budget Books, Fiscal 2015

The Military Department is concerned about the lack of State funding for two projects in fiscal 2015: the Havre de Grace Readiness Center and a Parachute Rigging Facility at the Hagerstown Readiness Center. The department says federal funding is "at risk" if these two projects do not receive State funds in fiscal 2015.

MEMA Headquarters Expansion

The CIP includes \$13.3 million in GO bonds to construct an addition to the MEMA Headquarters at Camp Fretterd. This project was first included in the CIP in the MCCBL of 2013. The project start has been pushed out from fiscal 2017 to 2018, and costs have decreased by \$400,000, primarily in planning costs. The addition will provide capacity for current and future personnel, programs, activities, and support services. Unlike other military projects, the MEMA Headquarters expansion is 100% GO bonds because MEMA is not related to the National Guard Bureau; the Federal Emergency Management Agency has deemed the expansion a State responsibility.

Havre de Grace Readiness Center

The CIP includes \$17.4 million in funding to construct a new Havre de Grace Readiness Center to replace the existing facility in fiscal 2016 (\$900,000) and 2017 (\$16.5 million); this is a new addition to the CIP. This facility will house the Maryland Army National Guard and will address the insufficient and functionally inadequate space of the current readiness center. The existing center has a shortage of education and training space and does not have adequate co-educational shower and locker facilities. The new facility will include administrative offices, an assembly hall, storage, laboratory space, and other support spaces for the State-supported regional veterans' Honor Guard Team, State Reservation Manager, and the National Guard Bureau Industrial Hygiene Activity. This project will be funded via the typical cost share of 75% federal and 25% State cost sharing.

Hagerstown Readiness Center Parachute Rigging Facility

The Hagerstown Readiness Center Parachute Rigging Facility is not included in the CIP and has not appeared in previous years. The project would construct a National Guard Airborne Equipment and Parachute Repair shop to address insufficient and functionally inadequate space for airborne operations. The proposed facility will provide a drying tower; secure storage for packed and unpacked parachutes; and areas for cleaning, repair, inspection, and packing of personnel and cargo parachutes. The project also includes a detached unheated storage building. The project would require \$120,000 in GO bonds in fiscal 2015, and \$2.0 million in federal funds are expected to match. No additional funding would be required in the out-years.

Federal Funding at Risk

The Military Department is concerned that State funding is not provided for the Havre de Grace Readiness Center and the Hagerstown Parachute Rigging Facility in fiscal 2015. The department claims federal funding is "at risk" if these projects do not receive State funds. DBM has indicated that these projects did not receive funding in fiscal 2015 because proper documentation indicating that the Military Department has received or will receive federal funds for these projects has not been submitted. DBM has included the Havre de Grace Readiness Center project in fiscal 2016 with the expectation that the Military Department will be able to prove the availability of federal funds. DLS would recommend that GO bonds for additional projects be added in fiscal 2015 if documentation could be provided to show the availability of at-risk, matching federal funds.

DLS would like the Military Department to describe the rules of the federal fund matching process and discuss why federal funds will be "at risk" if these two projects do not receive funding in fiscal 2015. In addition, DLS requests that the Military Department provide documentation proving the availability of federal funds in fiscal 2015.

Salisbury Armory De-authorization

The Salisbury Armory Addition and Renovation received \$5.7 million in GO bonds and \$9.8 million in federal funds, for a total of \$15.5 million, in the MCCBL of 2009. The project entailed the construction of a new addition and renovations to the existing armory to provide sufficient space for unit training and administration. The project also upgraded the space to provide virtual simulation training, classrooms, physical fitness, and medical training. The renovated facility provides more space for local social and athletic events. The MCCBL of 2010 and 2013 reduced the project to \$3.1 million in GO bonds, a \$2.6 million de-authorization. The MCCBL of 2014 de-authorizes another \$250,000 in GO bonds for the project, bringing total GO bonds to \$2.8 million, or a \$2.9 million reduction in original costs. These funds are available to de-authorize as the project came in under budget and is now complete.

4. Baltimore City Community College – Bard Building Demolition Proposed

Baltimore City Community College (BCCC) recently notified DBM, the Maryland Higher Education Commission, and DLS that the college has engaged the Department of General Services (DGS) to coordinate procurement of a contract to demolish the Bard Building located in the Inner Harbor. The proposed demolition is intended to facilitate future private or public-private development of the site. Recent assessment of the site by the DGS Office of Real Estate suggested that the future marketability of site could be improved were the site cleared and made ready for development, as opposed to selling the site in its current condition, which is considered encumbered due to the condition of the Bard Building. In 2010, the Bard Building was permanently closed due to longstanding structural concerns leading to water penetration and mold growth. Remediation had been attempted in fiscal 2008 but was unsuccessful. The building has been vacant since 2010 and costs BCCC an estimated \$100,000 annually in required life-safety maintenance.

It has been reported that a 2012 DGS estimate placed demolition costs at between \$0.5 million and \$1.2 million. DLS has concerns with this estimate and believes the costs will be substantially greater – potentially in the range of \$3.5 million to \$4.0 million. DLS has asked DGS for clarification on the estimated costs, which should be forthcoming. The State's current five-year CIP does not reflect State funding for the project. Instead, BCCC intends to use a portion of its appropriated fund balance, which raises additional concerns since fund balance appropriated in fiscal 2014 was not earmarked for this purpose. DLS notes that the college does have a significant fund balance available which could potentially be used to support the demolition project. Approximately \$16.8 million from the fund balance is proposed to be transferred to DoIT to support the college's Enterprise Resource Planning initiative. Even with this transfer, the college would still have upward of \$15.0 million available in its fund balance. Moreover, to the extent that the project is likely to cost substantially more than what the college currently estimates, it will require an increased fund balance appropriation over what is included in fiscal 2015. The college has not earmarked any of the proposed fiscal 2015 fund balance appropriation for this project based on the low cost estimate it received.

The President should comment on whether the college wishes to pursue a public-private partnership for this site and whether BCCC will pursue GO bonds if the college has insufficient funding in its real estate reserves within its fund balance to cover demolition. DLS further recommends language in the operating budget that prohibits the college from using the fund balance in fiscal 2014 for this project.

5. Addressing the Maryland State Archives' Long-term Storage Needs

Maryland State Archives' (MSA) insufficient archival storage capacity and lack of proper environmentally controlled space is well documented. To address this situation, the budget committees adopted committee narrative in the 2011 *Joint Chairmen's Report* requiring the submission of a report on alternative archival storage options. The report evaluated the space requirements for permanent record material and recommended short- and long-term funding for these requirements. The report provided several options to build or lease a new facility. The costs (in 2010 dollars) for the options evaluated included:

- leasing additional non-climate controlled space – \$18.7 million;
- leasing climate-controlled space – \$28.3 million;
- construction of a new State-owned Archives – \$31.9 million; and
- State purchase and renovation of existing space – \$33.0 million.

Additional consideration has been given to either leasing or purchasing and renovating an existing building as a more practical and cost-effective alternative. At the request of the budget committees, MSA provided a second analysis of the cost to purchase an existing warehouse that could be retrofitted to be used as an archival storage facility. This analysis produced an estimate that totaled \$25.3 million.

Maryland Economic Development Corporation Option

MSA continues to seek the acquisition and renovation of an existing facility in the Greater Baltimore region to accommodate its records management and archival storage needs. The required size of the facility is approximately 200,000 square feet, and MSA currently estimates the cost of acquiring, renovating, and retrofitting such a facility is \$12 million. This estimate is inconsistent with prior estimates for acquiring and renovating an existing facility and likely only entails partial renovation to meet MSA's current needs, with future renovations needed to scale the building to meet future demand.

MSA and DGS have requested the Maryland Economic Development Corporation's (MEDCO) support in acquiring, renovating, financing, and serving as an ownership vehicle for the project. MEDCO would finance the project through the issuance of lease revenue bonds. Debt

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service on the bonds would be provided by annual lease payments by the State pursuant to a long-term capital financing lease. The lease payments would be subject to annual appropriation by the State, from either general or special funds earmarked for MSA. MSA has identified a source of special funds which would include the investment earnings on the Archives Endowment Account and revenues from the fees it collects from the clerks of the court throughout the State. The fees collected from the court clerks is a portion of the recordation tax that is received with the recordation of all land documents in the State. The State Archives Fund has a balance of approximately \$6 million. Approximately 7% of the annual operating revenues of MSA are deposited into the Endowment Account. MSA believes that funds in the Endowment Account can be used in connection with the project. Any such use is subject to the approval of the Maryland Hall of Records Commission and appropriation by the State. Therefore, it is possible that Endowment Account funds could be used, if necessary, to supplement the proposed MEDCO debt financing to cover a portion of the cost of the project or as a secondary form of security for the State's obligations under the lease.

DLS advises that there are several issues that should be considered before approving a MEDCO-financed option.

- **State Debt Limit Implications:** According to information provided by MEDCO, the proposed financing would be structured as a capital lease and would, therefore, count against the State's debt limits. As specified in Section 12-204 of the State Finance and Procurement Article, the Board of Public Works may approve a capital lease of land, buildings, or office space if CDAC has certified to the Governor and the General Assembly that the total amount of new State debt incurred in the lease may prudently be authorized, or the General Assembly has approved the lease in the budget for the requesting State unit. DLS is unaware of any discussion of the proposed financing during the 2013 interim CDAC meeting process and is unaware that any funds have been included in the MSA's fiscal 2015 Governor's budget submission for General Assembly consideration. Moreover, funding the project outside the State's capital program as a capital lease would serve to increase the amount of State indebtedness since this would be additive to the GO bond authorization levels programmed in the State's five-year CIP upon which future debt service needs are calculated.
- **Use of State GO Bonds Is Cheaper, and MEDCO Bonds Will Require Annual State Appropriations to Service the Debt:** Utilizing the State's GO bond financing provides for a lower cost of capital and, therefore, lower overall principal and interest and total project financing costs as compared to a MEDCO alternative financing. The last State bond sale resulted in a TIC of 2.77% compared to estimates of 3.0 to 3.8% for a MEDCO revenue bond issuance depending upon whether a 15-year, 20-year, or 25-year term is used. In addition, a MEDCO financing would require additional issuance to cover capitalized interest reserves and issuance costs. MEDCO and MSA believe they have identified special funds that would be used to finance the debt. The source and availability of these funds is an issue that DLS is still looking into with DBM, the Treasurer's Office, and MSA.
- **The Facility Needs for State Agencies Should Be Funded within the Capital Budget Program and within the Limits Set for GO Bond Authorizations – MEDCO Is Not**

Principally Structured to Address the State’s Capital Infrastructure Needs: The State utilizes a five-year capital improvement planning process, which provides a degree of accountability and structure for identifying and scheduling future planned capital investments. When projects are taken out of the normal planning process and considered separately under different financing mechanisms other than the State’s capital program, not only is this process eroded, but the process for determining the size and condition of State tax supported debt by CDAC is potentially circumvented. Furthermore, while MEDCO’s enabling statute provides general authority to undertake projects for State agencies, this is not the corporation’s core mission, which under Title 10, Subtitle 1 of the Economic Development Article, is principally to relieve unemployment in the State; encourage the increase of business activity and commerce and a balanced economy in the State; help retain and attract business activity and commerce in the State; promote economic development; and promote the health, safety, right of gainful employment, and welfare of residents of the State.

DLS recommends that the funding for an archival storage facility be funded through the use of GO bond funds and not through a MEDCO financed mechanism. Proposed language in the fiscal 2015 operating budget would prohibit the use of State appropriations in the MSA budget to support the financing of a MEDCO financed facility. To the extent that a suitable facility has been identified and DGS is in position to negotiate a purchase, the committees may wish to authorize GO bond funds for property acquisition in fiscal 2015, and future authorizations may be considered once a full evaluation of the renovation plans and costs estimates have been reviewed and approved by DBM.

6. Baltimore City Convention Center Expansion

In May 2011, private business leaders in Baltimore City introduced the concept of an expanded convention center in conjunction with a new arena and hotel. The arena and the hotel would be located on the corner of Conway and Charles Streets – the current site of the Sheraton Inner Harbor Hotel. Both would be privately funded.

The new hotel would be built on top of the arena. The new arena’s concourse would be connected to a new convention center wing that would expand the center’s size to 760,000 square feet – more than twice the size of the existing convention center. The convention center expansion would be built on the site of the existing convention center’s east wing that is located on a Pratt Street site adjacent to the proposed site of the new arena.

Preliminary cost estimates for these projects are \$175 million to build the hotel, \$325 million to build the arena, and \$400 million to build the convention center expansion.

Financing

The fiscal 2013 capital budget provided \$2.5 million for preliminary design of the expanded center. The funds are intended to help define the scope and cost of the proposed expansion and enable the development of a funding plan for the project. As was the case with the 2012 CIP, the

five-year 2014 CIP does not include plans for State funding for the convention center. To this end, the fiscal 2013 authorization included language restricting the use of the funds pending execution of a memorandum of understanding that provides agreements concerning the management and ownership structure and financial cost sharing associated with a potential future expansion of the convention center.

The 2014 CIP does not include any plans for funding the convention center expansion beyond what was authorized in fiscal 2013 for preliminary design. Further, Baltimore City has not made a financial commitment. Also, the Maryland Stadium Authority does not have the statutory capacity to financially support the entire project. Finally, despite the expressed willingness for private sector investment in the larger development project, the State is not in possession of any written commitment toward that end and, unfortunately, the private developer recently passed away, potentially putting an end to the entire initiative. **DLS recommends the prior authorized funds be de-authorized so the funds may be used in the 2014 session to fund projects that are ready to proceed.**

7. Department of Aging Senior Center Capital Grant Program

The Senior Center Capital Grant Program provides financial assistance to local governments for the acquisition, design, construction, renovation, and equipping of senior centers. These centers provide programs and services to support older adults with health screenings, congregate meals, continuing education, recreational programs, information, and assistance. The State may provide a grant of up to 50% of the project cost, not to exceed \$800,000. Local governments are required to match State funds on a dollar-for-dollar basis. Although there is no funding included in the fiscal 2015 budget as proposed, there are two projects that will receive funding through the reallocation of funds from a previously approved project in Washington County, which has been cancelled. **DLS recommends approval of the projects outlined below.**

- **Chesapeake Grove Intergenerational Center:** The intent is to provide an \$800,000 grant to construct the new 46,000 square foot Chesapeake Grove Intergenerational Center in Cambridge, Maryland. The new site will replace the current Dorchester Senior Center, which is outdated and lacks sufficient space to provide adequate services and programming. The current Cambridge Senior Center will continue to house some staff offices. The total project is estimated to cost \$7.5 million. The State has already provided \$445,000 through local bond bill grants in the 2011 through 2013 sessions. An additional \$175,000 is requested in the 2014 session also through the allocation of local bond bill initiative funding. Construction is anticipated to commence in May 2015, with project completion slated for May 2017.
- **Taneytown Senior Center Parking Lot Expansion:** The intent is to provide \$80,971 as a matching fund grant to expand the parking lot at the Taneytown Senior Center. The expansion will add 21 additional spaces to create a total of 49 total parking spaces and would include the resurfacing of the current lot and changing the flow of traffic to one-way to improve safety and best utilize the current space at the Taneytown Senior Center. The

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21 additional parking spaces will increase the number of individuals able to participate in valuable senior center activities to improve their overall quality of life, both physically and socially.

GO BOND Recommended Actions

1. Adopt Committee Narrative

Committee Narrative

Military Department Facilities Master Plan: Most capital construction results from the need to accommodate people, modernize or replace facilities, or provide space for services or programs. Therefore, Facilities Master Plans are provided by State agencies every five years to the Department of Budget and Management (DBM) to present information on each of these subjects. The plans evaluate current conditions and projected needs, develop proposals for addressing deficiencies, and present a recommendation that will enable the State agency to meet its goals over the timeframe of the plan. DBM provides Guidelines for Submission of a Facilities Master Plan to State agencies. The Military Department has not provided an updated Facilities Master Plan to DBM per the five-year schedule. It is the intent of the General Assembly that the department provides an updated Facilities Master Plan to DBM by June 1, 2015. In addition, the budget committees request the department submit a report detailing the policies and procedures to obtain federal funds for National Guard capital projects that require a State match. This report shall be submitted by October 1, 2014.

Information Request	Author	Due Date
Facilities Master Plan	Military Department	June 1, 2015
Report detailing policies and procedures to obtain matching federal funds for National Guard capital projects.	Military Department	October 1, 2014

2. Approve \$45 million in general obligation bond funds for Watershed Implementation Plan compliance projects in accordance with the requirements under the Transportation Infrastructure Investment Act of 2013.

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3.

ZF2050	SECTION 2 Miscellaneous Grant Programs Baltimore Convention Center	\$ 0
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Add the following language:

<u>ZA00</u>	<u>MISCELLANEOUS GRANT PROGRAMS</u>
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<u>(D)</u>	<u>Maryland Stadium Authority to assist in the preliminary design of an expansion to the Baltimore City Convention Center, provided that no funds may be expended until a memorandum of understanding (MOU) between the Department of Budget and Management, Baltimore City, and the private developer is submitted to the budget committees and the Legislative Policy Committee. The MOU shall include preliminary agreements between the parties regarding the management and ownership structure of the convention center complex project, including the proposed hotel and arena. The MOU shall also include the preliminary financial commitments of each party and preliminary expectations for the cost-sharing between the State and Baltimore City. The budget committees and the Legislative Policy Committee shall have 45 days from the receipt of the MOU to review and comment (Baltimore City).....</u>	<u>[2,500,000]</u> <u>0</u>
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Explanation: This de-authorizes funds authorized in the Maryland Consolidated Capital Bond Loan of 2012 for preliminary design of an expansion to the Baltimore City Convention Center. The authorization was restricted pending a memorandum of understanding (MOU) between the Department of Budget and Management, Baltimore City, and the private developer which after two years has not been executed.

Back of Bill – GO Bond De-authorizations and Other Changes

<u>Agency</u>	<u>Chapter</u>	<u>Project</u>	<u>Amount</u>	<u>Purpose</u>
BPW	Chapter 336 of 2008	Board of Public Works Asbestos Abatement Program	-\$280,220	Project Complete
DPSCS	Chapter 336 of 2008	Local Jails and Detention Centers St. Mary's County Detention Center	-175,110	Project Cancelled
DNR	Chapter 336 of 2008, as Amended by Chapter 485 of 2009 and Chapter 424 of 2013	Department of Natural Resources Capital Development Projects	-100,000	Project Complete
DHMH	Chapter 336 of 2008, as Amended by Chapter 396 of 2011 and Chapter 424 of 2013	Office of the Chief Medical Examiner New Forensic Medical Center	-258,695	Project Complete
DPSCS	Chapter 336 of 2008, as Amended by Chapter 424 of 2013	Department of Public Safety and Correctional Services New Women's Detention Facility	-500,456	Project Cancelled
BPW	Chapter 485 of 2009	Board of Public Works Asbestos Abatement Program	-500,000	Project Complete
MD	Chapter 485 of 2009, as Amended by Chapter 483 of 2010 and Chapter 424 of 2013	Military Department Salisbury Armory Renovation and Addition	-250,000	Project Complete
DNR	Chapter 485 of 2009, as Amended by Chapter 424 of 2013	Department of Natural Resources Capital Development	-175,566	Project Complete
DPSCS	Chapter 485 of 2009, as Amended by Chapter 424 of 2013	Department of Public Safety and Correctional Services New Women's Detention Facility	-400,150	Project Cancelled

<u>Agency</u>	<u>Chapter</u>	<u>Project</u>	<u>Amount</u>	<u>Purpose</u>
SU	Chapter 83 of 2010	Salisbury University New Perdue School of Business	-175,180	Project Complete
BSU	Chapter 483 of 2010, as Amended by Chapter 444 of 2012	Bowie State University New Fine and Performing Arts Building	-250,000	Project Complete
BPW	Chapter 444 of 2012	Board of Public Works William Donald Schaefer Tower – Replace Fire Alarm System	-1,000,000	Project Complete
UMCP	Chapter 444 of 2012	2012 University of Maryland, College Park Physical Sciences Complex	-2,000,000	Project Substantially Complete
Total De-authorizations as Introduced			-\$6,065,377	

BPW: Board of Public Works
 BSU: Bowie State University
 DHMH: Department of Health and Mental Hygiene
 DNR: Department of Natural Resources
 DPSCS: Department of Public Safety and Correctional Services
 MD: Military Department
 SU: Salisbury University
 UMCP: University of Maryland, College Park

Source: Maryland Capital Consolidated Bond Loan of 2014

**Pre-authorizations Included in the MCCBL of 2014 for the 2015 through 2019 Sessions
(\$ in Millions)**

<u>Project/Program Title</u>	<u>2015 Session Fiscal 2016</u>	<u>2016 Session Fiscal 2017</u>	<u>2017 Session Fiscal 2018</u>	<u>2018 Session Fiscal 2019</u>	<u>2019 Session Fiscal 2020</u>
Military Department – Havre de Grace Readiness Center	\$0.2				
Department of Natural Resources – Program Open Space	58.2	\$57.1	\$59.4	\$47.5	\$24.3
Department of Natural Resources – Rural Legacy Program	12.5	11.6	11.8	9.3	4.7
Department of Agriculture – MALPP	22.7	21.9	22.6	17.7	9.0
Department of Public Safety and Correctional Services – New Youth Detention Center	12.9	3.3			
Department of Public Safety and Correctional Services – MCTC	3.9				
Department of Public Safety and Correctional Services – Dorsey Run Correctional Facility	3.6				
Maryland State Department of Education – State Library Resource Center	25.9	23.2	23.2		
University of Maryland, Baltimore – Health Sciences III	81.6	70.5	2.0		
University of Maryland, College Park – Edward St. John Learning and Teaching Center	42.2	2.5			
Bowie State University – New Natural Sciences Center	48.3	7.5			
UMES – New Engineering and Aviation Sciences Building	1.5				
University of Baltimore – Langsdale Library	3.6				
Salisbury University – New Academic Commons	57.6				
St. Mary’s College of Maryland – Anne Arundel Hall Reconstruction	8.7				
Maryland Higher Education Commission – Community College Facilities Grant Program	17.4	6.8			
Morgan State University – Campuswide Utilities Upgrade	3.7				
Maryland Environmental Service	5.0				
Total	\$409.4	\$204.3	\$119.1	\$74.5	\$38.0

MALPP Maryland Agricultural Land Preservation Program
MCCBL: Maryland Consolidated Capital Bond Loan

MCTC: Maryland Correctional Training Center
UMES: University of Maryland Eastern Shore

Source: Department of Budget and Management